

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

ALASKA PUBLIC UTILITIES COMMISSION

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EX PARTE OR LATE FILED

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

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March 28, 1997

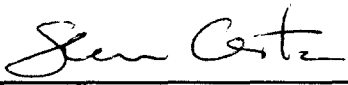
Re: CC Docket No. 96-45

Dear Mr. Caton:

Enclosed are an original and four copies of an ex-parte filing sent to each Commissioner and staff member of the CC Docket 96-45 Joint Board by the Alaska Public Utilities Commission regarding provision of universal service support in Alaska and other rural areas.

Sincerely,

ALASKA PUBLIC UTILITIES COMMISSION


Sam Cotten, Chairman

SC\LPK\cmb

Enclosures: as stated

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March 28, 1997

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The Honorable Susan Ness, Commissioner
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The Honorable Kenneth McClure, Commissioner
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The Honorable Sharon L. Nelson, Chairman
Washington Utilities and Transportation Commission
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Olympia, WA 98504-7250

The Honorable Laska Schoenfelder, Commissioner
South Dakota Public Utilities Commission
State Capitol, 500 E. Capitol Street
Pierre, SD 57501-5070

Martha S. Hogerty
Public Counsel for the State of Missouri
P.O. Box 7800
Jefferson City, MO 65102
Re: CC Docket 96-45

Commissioner:

The Alaska Public Utilities Commission (APUC) strongly supports the recommendation of the CC Docket 96-45 Joint Board members to not require rural companies serving Alaska and insular areas to transition to a proxy model at this time, given the unusual nature of providing service in those areas. At the same time, the APUC notes that some concerns have been expressed regarding how the Joint Board's Recommended Decision on universal service, if implemented, will affect rural companies and whether there will continue to be sufficient levels of support.

The APUC would like to join in the concern raised that freezing the federal support for affordable telephone rates at historic per line levels would likely reduce incentives for investment in new infrastructure by rural telephone companies and could delay needed upgrades in rural areas. The APUC requests that some alternative to the freeze approach be considered.

The APUC also strongly opposes implementing the Joint Board's recommendation in such a way that would limit support to only the first line at a primary residence and to the first line to single line businesses in rural areas. First, applying historical per line support to only the first lines of each carrier will drastically reduce payments from the universal service fund and could lead to rate shock. For example, if only a third of the total lines no longer receive support, some companies in Alaska would observe local rate increases as high as \$18 to \$27 per line per month. Clearly efforts to promote universal service should not lead to rate increases of this magnitude.

In addition, under the above policy, local carriers will have reduced or little incentive to install infrastructure for secondary lines in high cost areas. Secondary lines and business lines may be so expensive in rural areas that there will be little demand for service.¹ The APUC is concerned that economic development in rural areas will be hindered if reasonably priced multi-line business rates and secondary line rates are unavailable due to insufficient universal service funding.

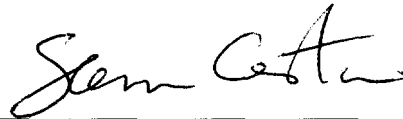
As a last point, the existing universal service mechanism was not designed, nor can it be easily modified to determine the appropriate amount of funding that should be paid to support the costs of just the first lines. For example, the costs of just the first lines in isolation from all other carrier plant line costs is not available and would have to be developed given a complex economic study of each carrier's costs. Many small rural

¹For example, 66% of Alaska local carriers have average unseparated loop costs over \$400/line.

carriers will find it difficult to conduct such studies.

Given the above, the APUC urges the FCC to adopt a policy on this matter that is consistent with the goal of universal service. The APUC requests that the FCC not freeze support to rural companies and that support not be limited to just the first lines.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sam Cotten", written in dark ink.

Sam Cotten, Chairman
Alaska Public Utilities Commission

SC/LPK/cmb

Attachment: Service/Courtesy List

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners:

Sam Cotten, Chairman
Alyce A. Hanley
Dwight D. Ornquist
Tim Cook
James M. Posey

CERTIFICATION OF MAILING

I, Connie M. Bamburg, certify as follows:

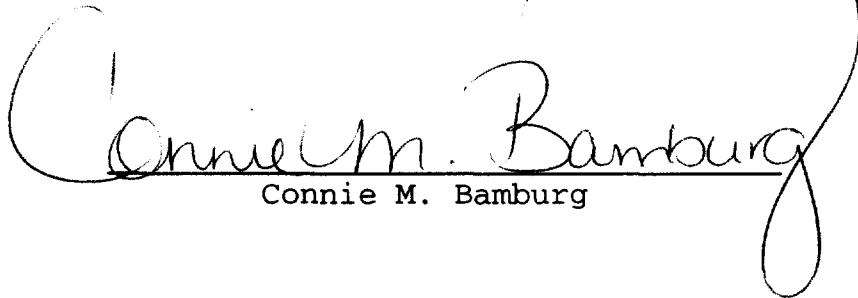
I am a Secretary I in the offices of the Alaska Public Utilities Commission, 1016 West Sixth Avenue, Suite 400, Anchorage, Alaska 99501.

On March 28, 1997, I mailed true and accurate copies with postage thereon of:

EX-PARTE FILING RE: CC Docket No. 96-45

to the persons indicated on the attached Service List.

DATED at Anchorage, Alaska, this 28th day of March, 1997.



Connie M. Bamburg

SERVICE/COURTESY LIST
CC-96-45

March 28, 1997
Page 1 of 8

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